

# Taxpayer panel exhorts IRS to license return preparers

BY KEN RANKIN >> WASHINGTON, D.C.

The Internal Revenue Service has been called on to develop federal licensing requirements for all paid tax return preparers — an approach that would involve potentially controversial competency rankings to help taxpayers to identify and select tax professionals based on their level of expertise.

The proposal was recently placed on the table by the IRS's own Taxpayer Advocacy Panel as part of a laundry list of recommendations for improvements at the tax service.

"Currently, anyone can prepare tax returns for a fee, regardless of their knowledge or training in tax preparation," the group explained,

Warning that the present unregulated tax preparation system contributes to faulty tax filings, TAP advisors reasoned that "taxpayers are hurt when their returns are not prepared properly," and "both the IRS and taxpayers incur costs because of

fraudulent and inaccurate returns."

The TAP plan, outlined in an appendix to the group's freshly released annual report to the IRS, calls on the service to issue licenses to paid tax preparers based on each practitioner's "level and area of experience."

The group further recommended that licensed tax preparers undergo a mandatory background check "to ensure protection of the taxpayer, especially with respect to identity theft issues."

CPA firms and other tax preparation organizations would not be required to obtain licenses, but individual practitioners would.

The panel recommended that the licensing be based on the preparer's knowledge set, or level of expertise in preparing tax returns. "Since tax laws are added or changed periodically, the license should be updated annually to reflect knowledge

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